

~~RESTRICTED~~
 SECURITY INFORMATION
 NAVAL OFFICERS' WORLD AFFAIRS SEMINAR

25X1A8a

"A Picture of Our Future Relations With Our South American
 Neighbors of Brazil"

INTELLOJAX 21

Mr. Lawrence W. Witt
 Editor, Journal of Foreign Economics

25X1A9a

0 1985

25 February 1953

CPYRGHT

I would like to say a few things in general about Brazil to give you just a little feeling of what the country is like. I have a map here of South America, and Brazil is half of South America, both in terms of population and in terms of area. The geographical area within Brazil is larger than that of the United States by a state the size of Texas. Now that is the geographical content; now in terms of the effective area it is much smaller. The population of Brazil is concentrated in one area up in the northeast and another area down in the south. All the interior is very sparsely populated. Brazil when it was first settled began up in the north and depended upon sugar. In order to get the labor force they brought a large number of negroes over from Africa. So the color in the north is much darker than it is down in Rio, Sao Paulo, and further south, where the immigrants came after 1850. They came from northern Italy, not southern Italy, that's important. They came from northern Italy, from Spain, Portugal, Germany, Austria and Poland and just before the war a fair number came into Sao Paulo from Japan. It is the most industrialized country in Latin America. Industry has been expanding rather rapidly, doubled in the last ten years, doubled before that, between 1920 and 1940. Today the per capita income as a whole nation is about one hundred and eighty dollars per person. That compares with an average of about sixteen hundred dollars in the United States. However, there is a vast difference between the north and the Sao Paulo-Rio area which is their industrial triangle. There per capita incomes are between five hundred and six hundred dollars per person. Move into the interior, move up into the north and it drops to seventy-five per person per year and that provides, of course, only a very minimum subsistence living.

In the last fifteen years there has been a broadening of the electorate. Permission has been given for women to vote. The voting age has been dropped to eighteen. In 1933 1,400,000 people voted. In 1946 6,000,000 voted. In 1950 8,000,000. But today there are something like 11,000,000 people registered to vote and in the next election there will probably be another increase and this has meant that the Brazilian politics have been changing. There is a different type of person now engaging in the political process. It is not quite the same dignified person appealing to Brazilian elite. He is a person who tries to appeal to the mass of the people and give some attention to the problems of the workers and the problems of the farm laborers, not completely, but there is a tendency to move in that direction. The political participation has been limited by the fact that there is a very substantial proportion of the people that are unable to read and write. Something like forty percent are unable to write their names or read. There is an additional group that can't do very much reading or writing but have gone to two or three years of primary school.

~~RESTRICTED~~

RETURN TO CIA
 LIBRARY

I was in Salvador about two months ago. Right in the center of town there is a place called Bobby's Bar. Perhaps it should be Roberta, but it is Bobby's, and I am sure that this is a result of some of the sailors and Air Force people that were in there during part of World War II. There are also some people that worked with American armed forces in one category or another. Some of them had considerable English beforehand, maybe some six or seven years of it in the high schools and colleges and they mimic these people as a means of perfecting their English. So every once in awhile you find somebody who speaks a very good idiomatic English. On the other hand you have some that just picked up a few phrases like, "hello, sailor, you want dancing girls, I show you".

I want to take you, not into the big cities of Rio and Sao Paulo, I want to take you through those, back up into the interior into some of the farms and farming communities. Some of you may have been at some of the ports but usually you don't have too much chance to explore the interior. Sao Paulo and Rio are major cities. Each of them have about two and a half million people. They are major industrial population centers. They have been rebuilding the downtown areas using the best of the European architecture and many of them are really fantastic, interesting, and very pleasant cities. The temperature there, as some of you know is mild. Rio during the summertime is not so mild, it gets hot. But Sao Paulo, up on the plateau 2,500 feet, has a very mild temperature, very interesting in many respects. Visiting Sao Paulo is like visiting a clean Chicago or Detroit. It doesn't have the smoke because coal is scarce in Brazil and they depend upon electricity.

The interior's principal crops are corn, coffee, cotton, beans, and rice. More acreage is devoted to corn than anything else. Mostly beef cattle and some dairy cattle utilize the pasture areas. Now, coffee and cotton are the major export crops. Half of Brazil's exports are coffee. Half of her foreign exchange comes from the sale of coffee. So there is the major interest of the United States, because we get half of our coffee from Brazil, and based upon that and based upon some other things that we buy, we have a trade of about six to seven hundred million dollars. Brazil, after Canada, is our best customer and the United States has invested in Brazil something like a billion dollars and again that, after Canada, is our major foreign investment. Seventy-five percent of the foreign investment in Brazil is American capital. Thus we have a very important role to play in Brazil with respect to foreign investments.

Brazil's beef cattle are raised for local consumption. There are some dairy products but dairy consumption is much less. Mainly the land tends to be split up into either very large holdings or very small holdings, but when you come into the very deep interior, Mato Grosso, Goiaz, certain parts of the Sao Paulo region in the west and you will have ranches of two, three, four, and five counties, with hardly a fence on them and the cattle running pretty wild. A hundred cows will produce forty or fifty calves as compared to our eighty or ninety in Montana because of the care which is not given to them. Predatory Animals come in and get some of them and in general it is a very extensive, a very superficial kind of an exploitation. Come in closer to the cities and we have the cotton and the coffee plantations, also of good size, a thousand, two thousand, five thousand acres, some of them a lot larger than

CPYRGHT

SECRET

that and along side of that you have little farms of two acres, three acres, five acres where the farmer is primarily producing food for his own consumption and a little coffee or a little cotton for sale to bring him the cash income to buy the things he wants to buy in the city.

In Brazil just about half of the people who live in the country work for somebody else. The other half own a piece of land, maybe only an acre maybe as much as ten or twenty thousand acres. About half of them work for somebody else, primarily on a commercial contract. That is, they get a piece of land to grow some of their crops on, and to build their house on, but then their wages are commercial wages. If you get over into Equador, Peru, Bolivia, then you have a much more, let us call it a feudal system. They have the use of a piece of land and the landlord has a right to four days of work per week and the whole thing is very definitely patterned on tradition and custom developed over a long period of time and it is hard to change. In Brazil changing economic events change the wage rate, change what the individual gets. So there is a constant dickering between the workers and the owners as to what the wage rate is and with the industrial development which is going on in Sao Paulo, many of the people try their luck in the city. They go into town and see if they can't do better and that is forcing the wage rates up in the country, so that in Sao Paulo wage rates are a dollar and a quarter to a dollar and a half a day. Up in Minasgerais, where that isn't so common, seventy-five cents to a dollar and then up in the northeast it's maybe fifty or sixty cents a day. Now, in Latin America those are pretty good wages because you can find lots of places where it is fifteen and twenty cents a day, indicating again that Brazil has gotten off dead center, is moving on, is industrializing.

Brazil provides some hope that over a period of years, at least the important part of Brazil, may be able to develop industrial potential, provide an opportunity for us in case of an emergency, especially on things which they can produce without too much loss of quality in case our own industries are pretty well devoted to something else.

Now I want to tell you about a town of about forty-five thousand people. It has an agricultural college; it is in the center of the Sao Paulo sugar industry. There are twenty or twenty-five sugar mills scattered around, so that a large number of the farmers are devoting their efforts to producing sugar cane which goes to the mill and gets crushed to make sugar. On one side of town is the hotel, further down are a couple of restaurants, and on the other side are three or four bars, primarily selling coffee but if you want something stronger they've got that too. Around this square is the center of activity. People live in houses that spread out from it. Now, if you look on the street at any time of the day or night you will find many more men than women and most of the women that you see are either fat and forty or very well escorted. But if you go there at seven o'clock at night you will see a different story. From seven to nine you have every young girl in town coming out, dressed up as best she can, and she is walking with a girl friend whom she has met, her sister or neighbor, and they walk around the square one way all evening long. For two hours they walk around this way, and the men, all the young men come down of course. They have to look them over and they are

walking around the square the opposite way around and so twice on each round each individual will pass the other and that is the way in which Brazilian boys and girls, young men and young women, get acquainted. You may nod the first or second time but you had better not do it any more than that or it will indicate that you are seriously interested, and if the boy should happen to start walking around in the girls direction, (the girl doesn't walk in the boy's direction) that is the beginning of a courtship. Now, he had better not do that more than once or he is likely to find that he is expected to call on the father and talk to the family and if you happen to dance with a girl at a dance twice in a row (she comes chaperoned), it is an indication of very serious intentions. Really the only way in which you and the girl can have very much to do with each other is to become engaged and even so you have to have her in by ten o'clock at night. Oh-the social customs there are pretty rigorous.

Now, you go into Sao Paulo and it will give you the impression of the customs of a European city, not quite the free and easy position we have in this country. Most of these people grew up under these customs. These customs are changing in the small towns but they are changing slowly. Well at nine o'clock this walking parade is finished and the girls go on home. The boys go over to the bar and have some beer and drink, and maybe go on for another two hours. There it is a man's society--it's a man's world. The Brazilian knows what the women's position ought to be.

Now let me talk just a couple of minutes on what has happened in coffee production. We have been very much concerned with the way in which the Brazilians have held us up on coffee and I would like to present to you the kind of an argument which the Brazilian presents on this story, the Brazilian who knows something about the coffee business. He points out that Brazil developed its coffee slowly. Then about 1880 or 1890, coffee began to spill out into Sao Paulo. There they found ideal soil and ideal climatical conditions for the production of coffee, and coffee started booming. A coffee tree will produce for forty years, maybe fifty years, in very good soil and then the virginity of the soil is exhausted and you can't produce further coffee. It has to be converted to pasture, perhaps converted to cotton or converted to some other crop. Then about 1890 they began spreading across this whole state of Sao Paulo and the world supply of coffee was expanded. The United States was expanding its population and becoming the major coffee consumer. Then the trees after six years started coming into bearing and about 1920 it became apparent that they had planted a great deal of coffee and were getting more than they could handle and so they started in to protect the coffee market by buying it up and storing it, but the fact that they put on such a buying policy gave the plantation owners encouragement to put fertilizer on and to take care of the trees better. So the general average level of production actually increased.

Brazil in 1934 had the largest coffee crop in history. A coffee crop equal to the entire world's consumption, and a poorer year to put the biggest crop in history on the market, I can't think of. So they started burning coffee. Burning the lowest grade coffee and trying some other methods to protect the market, and coffee prices dropped from thirty cents a pound to

CPYRIGHT

five a pound. Brazil had very severe economic troubles. They didn't earn enough dollars to buy the things that they wanted to buy and to pay the interest on the money that they borrowed because their coffee wasn't worth anything. Then cotton came in about that time as an alternate. They have done some improvement in cotton production, and we are helping to hold up the price. So the combination of United States cotton policy and the Brazilian technological changes and learning how to produce better cotton, changed some of these plantations over to cotton. They ripped out some of the trees that were about to be abandoned and put in cotton, and the production of coffee began to decline. By 1940 they had about twenty-five percent less trees than they had in 1930. Then the war came on and they started expanding to meet consumption. We increased our consumption from 14 pounds per capita to twenty pounds per capita and in the armed services it went up to thirty-five pounds per capita and that helped to pull in some of the coffee that had been put in stock piles. They had been burning some, but they stopped all that and were putting all coffee on the market.

Then when 1945 came along and the European market had been opened up, their stock piles had been used up. What happened? They didn't have enough coffee in production then to supply the demand and so the natural thing happened. Economic force started pushing the price of coffee up and it doubled and it doubled again. Brazil became very prosperous during that period. In 1946, 47, and 48, Brazil bought just about anything which it wanted to buy. They had the money to pay for it. So there was a tremendous drove of products into Brazil. Then in 1950 came Korea and another boom in coffee prices which put them off pretty well for awhile. But then, when the boom didn't continue, they found in 1951 that they had to start cutting back. One place that they started to cut back, was on the luxuries which they were importing. Another thing they started being concerned about was the interest they were paying on their foreign investments and the profits.

President Vargas, who came in again as an elected president, put through a law which provided that they would pay five percent profit on foreign investments in Brazil, on this billion dollars of United States' investment, but that they would pay only on the original investment, not on any accumulated profit and half of this billion was accumulated profit. Moreover, any money that was sent out was to be deducted from the original investment. So that if you invest a thousand dollars and pay out fifty dollars a year for twenty years, your thousand dollars is gone and you have no more profits to come back. The result was a strike against Brazil by New York investment markets. During this same period, Brazil had a joint United States and Brazilian commission operating. Through this commission we are trying to make an investment program in what we call the bottle-necks of economic development. We are trying to help solve Brazil's social tensions by making these international investments, helping Brazil to develop, provide opportunity for the laborers who have a very low level of living, making it possible for them to find jobs, earn three hundred, four hundred, five hundred dollars instead of seventy-five dollars a year. This joint commission was elaborating a program of investing in improving the transportation and if any of you have been there, you know that there is room for improvement, improving the shipping lanes and the various harbors where the

shipping lanes tie up. Electricity is short all over Brazil. From a quarter of seven every night the electric plant shuts down, shuts down one hundred percent, all the factories shut down and then at seven o'clock the plants start up again. That is to conserve the water so that it will stretch out through the dry season, so that they can have electricity every day but not quite as much as people would like. So the housewives have to cook a big meal at noon and plan on eating a cold one in the evening or wait until seven o'clock to start cooking or, as some of them have a wood stove, cook the evening meal on the wood stove. Some of the factories that are very hard pressed for their orders will have the workers come back at nine o'clock and work until eleven or twelve o'clock on an extra shift. In Sao Paulo for example, the elevators in the hotels don't run from seven to ten in the morning. That is the time when the hotels are cut. Then some of the factories are cut one day a week or cut to particular hours. There is a rationing of electricity for everybody all over Brazil. So one of the major things they are trying to do is develop electricity, improve the possibilities for a plant to come in any place it wants to, set up this industrial plant, hire labor and know that it is going to have the electricity it needs.

Brazil is developing a program that calls for five hundred million dollars of loans from the International Bank. The International Bank sells its bonds on the New York market. In order to keep those up to par they said, "We can't make any investments in Brazil when Brazil has this kind of a law, investors won't have confidence so you can develop this program but we can't do anything about it until you change your attitude towards international investment".

During the summer and fall while I was there, the Brazilians were debating what they should do about foreign exchange and just before I left they passed a bill encouraging the flow of new American capital to Brazil. Now this provides for a free market and on that free market as much capital as wants to can go out. The official exchange rate is about nineteen cruzeiros to the dollar. The free exchange rate is about thirty-five cruzeiros to the dollar. Foreign capital coming in can buy cruzeiros at the thirty-five to one rate and when it wants to send some profits out it can buy dollars at that thirty-five to one rate and it can buy as many as it wants. Now, if the exchange deteriorates to forty, they still have freedom to do as they wish, leave the capital there, plow it back in, or if it goes up to thirty they can do as they wish about that. It is a completely free operation under the law. Also, now the previous capital spending that has been invested in utilities is entitled to five percent on the original investment but not deductible at the nineteen to one rate. So they are favoring the electric companies, the utility companies in this procedure and there may be a few other industries that have this right. Now the money that is already there can take its profits out at the thirty-five to one rate. In a sense that is discriminatory but in another sense the money that has been there, has been earning thirty percent, forty percent profits in the last few years. So if they really want to send those profits out, they've got it there. At least that is the way the Brazilian feels about it. They've got it there to pay for and to get the profits to the United States if they want to. Brazil hopes

~~RESTRICTED~~

CPYRGHT

that none of this money will choose to go out, that it will remain in Brazil to help Brazil develop. Not all of the investment in Brazil is American. There is a little Canadian and some English but the major source of capital is Brazil itself. Something like eighty-five or ninety percent of the capital in Brazil is Brazilian capital which they have saved themselves, accumulated out of profits and invested themselves in their business.

We are trying to ease the Brazilian social tensions by development. As good citizens we should watch this, we should try to help it along, try to ease these other tensions that come along with it and look upon this as a means by which we can help to keep from having in Brazil and in Latin America the kind of problems which we have in Egypt and Iran and the Far East. Is Latin America going to follow the same pattern or are we going to look ahead and try to work these problems out and take advantage of the time which remains before some of these problems become acute?

Question: Mr. Witt, I noticed on a production map that Brazil had four point, almost five percent of the entire world output of manganese and the entire western hemisphere has less than one percent. In view of that can you tell me if they can first, expand that to a larger degree and second by what steps we are taking to protect that and buy all of it necessary in the event of war?

Answer: I can't answer all of your question. This area has several deposits of low grade manganese and one of the reasons its production is small is because it is low grade and transportation is somewhat costly and so it is only the best of that low grade resources that is being developed and shipped out. There was a loan from the Export-Import Bank made very recently for the improvement of the extraction facilities and in general stimulate output of manganese, and also a contract to buy at a guaranteed price the manganese that would be produced. Now there is, in Mato Grosso, a very fine deposit of manganese, a high grade deposit. But there you are so far away that transportation costs have been the limiting factor. Building a road in and that sort of thing, looking at it from an economic standpoint or scale, it has been questionable whether it has been worth the effort in terms of economic market relations. Now, in case of an emergency, undoubtedly there are some strategic materials in Brazil that could be brought into the market and they could expand production very considerably.

Question: How is the plan of the commission that was sent into Brazil working out an interpretation of their industries in order that they won't be so dependent upon the coffee crop as they had been in these past years?

Answer: Industrialization itself is one of the ways in which they are trying to reduce their dependence upon coffee. You see, in the past, forty years ago, they exported coffee. With the returns from their coffee they bought their medium grade textiles, their high grade textiles, their automobiles, their gasoline, almost everything which they used which was manufactured. Now, they have textile mills which can make the highest grade of textiles. They are importing very few textiles, using their own cotton now for all grades of textiles. That are producing bottles and bottle beverages. They are producing

7 ~~RESTRICTED~~

some of their steel, but they aren't producing all of it. That industrialization itself reduces their dependence upon coffee, because a cut in the coffee price doesn't mean that all of these things can't be purchased because some of them are now being produced within Brazil. It is hoped also that with the development of transportation that some of the other areas of Brazil can produce an agricultural product which can move into the world market along with coffee. Coffee used to be seventy-five to eighty percent of their exports, but is now about fifty percent. So you see they have diversified some.

Question: What guarantee does American capital have down there on their investments, in view of the procedures that have been carried out by some other nations of the Latin group towards American investments?

Answer: No guarantee, nor is there a guarantee when you invest in a company in this country. You take a chance. This situation I have just finished describing has indicated that Brazil was willing to give a chance for free movement of capital in and out of the country. There is no guarantee that ten years from now or five years from now in an emergency they wouldn't change the law. On the other had an investment there might very well bring you the cruzeiros. There are a few investments that wouldn't, but most of the investments of American capitalists would bring you the local currency and the difficulty would be in transferring it from cruzeiros into dollars. As far as confiscation is concerned the pattern in Brazil is the only thing you have to go on. They have taken over some of the railroads, but at the same time they have paid out, they have negotiated a price and have paid out in the foreign currency when they have taken it over. There is no guarantee that they won't do it in the future, and one of the reasons why we should be interested in the development of Brazil and in trying to help Brazil solve its problem, is to make it unnecessary for them to take that kind of action which basically most Brazilians don't want to do but occasionally find necessary when they get into a severe economic crisis.

Question: I am interested in hearing what retards the development of the interior, is it strictly transportation?

Answer: Yes, Primarily---when you get a certain distance out in the back-country, the cost of freight just uses up all that the beans, corn, rice, or coffee may be worth by the time that you get it into the capital city. It is such a long ways to go. You get up into the North and you have a different problem. There you have the river for communication, but the tropical forest provides a special situation. You have high heat and high humidity and a natural forest. You have the leaves coming down, branches, twigs, settling on the ground, decomposing gradually, building up organic matter. If you cut off the trees you can grow a crop there. You can get a very good crop the first year, and you can get a pretty fair crop the second year but by the third year the heat and the humidity has decomposed the organic matter and the rain has leached the fertility down below the roots of the plant, and the third year you barely get your seed back. So you can grow a crop for two years or at most a third year and then you let the forest gradually grow back in. Thirty years

~~RESTRICTED~~

CPYRGHT

SECURITY INFORMATION

later you may be able to cut that down again and go through the same process. That is a pretty difficult situation in which to conduct agriculture. The forests are there but the forests have so many different kinds of trees that you have to go through and spot the two or three that have economic value and snake them out to the river through marshes and so on. Its a very difficult task to get into the Amazon and utilize it. So consequently in terms of any aggregate development, I look for only a little more intensification along the river. There are some technological advances in agriculture coming out of the experiment stages that may make it possible to have a better situation for the fellow along the river so that he can do a little more farming, but using the dirt that is in the river and getting it deposited along his land like the Nile fertilizes Egypt, so that the river fertilizes these lands alongside, that provides a little space for a little bit of expansion but nothing in any major way.

Question: Do you feel that the Brazilian Government feels rather secure in its approach to Communism or Anti-Communism or do you feel that there is quite a bit of influence from Communistic operations in surrounding countries?

Answer: The New York Times says that the two countries in Latin America which have the most Communist activity are Brazil and Guatemala. Brazil had three elections in 1945, 46, and 47. As far as the Communists are concerned, they were a legal party. They had a candidate for president in 1945, who received six hundred thousand votes. That is ten percent of the total. He ran against General Dutra and General Gome2. Now, you remember this was 1945, so that some of these Brazilians were faced with choosing between two generals and a Communist. So I think that some of the Communist votes were basically people who weren't Communists but were opposed to having a general. In 1948 the Communist party was made illegal; it was driven underground although there is still a certain amount of Communist activity going on. Some of the people have joined other parties and are left wing elements of that party. There is one person, I don't know what party he really is in, but everybody in Brazil refers to him as that Communist Senator, and he has done a great deal of damage to the debate over the military aid program, ratification to the military aid program in Brazil. He succeeded in postponing the ratification for about ten and a half months and very much confusing the issues, a very vocal sort of an individual and nominally he is not a Communist but he is operating that way. There has been a certain affinity between the ardent nationalist and the ardent Communist to work together and they become anti-Americans. Somebody, I forget who it was, said that the situation in this respect in Brazil now is something like it was in the thirties in China. There was this anti-foreigner, anti-imperialism between the ardent nationalists and the Communists. They found a core of agreement that way. Brazil's present activity towards the Communists is putting a great deal of emphasis upon this economic development, putting emphasis upon labor legislation, implementing labor legislation, trying to control inflation so that wages don't lag behind, in manipulating and maneuvering in trades unions and they have got much weaker trades unions, so that the Communists can't get in and get very much activity. Last year in 1952 they passed the "distribution of profits" act. Basically I think that is one of the important approaches in combating Communism. It may not be sufficient,

~~RESTRICTED~~

it may take something else. But at the moment I don't think the influence of Communism is expanding, rather, I think it is contracting, doing no better than holding its own. But as this economic development moves ahead, if we should have an international economic crisis and a dropping off of the prices of cotton and coffee and other products that Brazil is now selling, it might be enough of a crisis so that the Communists might take over. In most places, the Communists have taken over when the Democratic parties were split and they took over as a minority. The Brazilian parties have been through it enough politically, so that when a crisis arose they joined forces against a common enemy. That is one of the things I really think is the most hopeful about the Brazilian political situation, that they have a fluidity and flexibility to join forces, which isn't so true in some of the Spanish countries.

Question: You commented upon the high illiteracy and I was wondering what are the educational qualifications to vote and what action has been taken to spread education?

Answer: The only requirement to vote is that you be male or female, over eighteen, and be able to write your name. You are supposed to be literate, but what that means is you have a piece of paper here with your name written on it and if within fifteen minutes you can laboriously copy that out, you can go in and vote. Now, most of the people that haven't had any education don't try to do that. A few of them do. But there is thirty-five percent of the people, perhaps, who are illiterate who don't try to participate very actively in the political process. Now Brazil's population is expanding at around the rate of two percent per year and their schools have been expanding at just about that rate so that they have been holding their own but they haven't been expanding. They have been improving in quality in high schools and the college level. The high schools perhaps have expanded more rapidly than the colleges but the primary schools haven't been able to. One of the problems is that the areas that need primary schools are way out in the country districts. It is most difficult to get these children together in large enough quantities to warrant the schools and also, the farm boys and the farm girls, by the time they get to be nine or ten years old are an economic asset to the family. They can go out and pull some weeds or take a little stick and walk in front of the oxen and lead them along, so there isn't the pressure as yet, in many of these rural areas, to have educational facilities in a way in which we see them in our country.

Question: What is the comparison in education as we have it in our country as compared to that of Brazil?

Answer: Four years is a normal primary school education. Sometimes there is a kindergarten pushed in underneath but it is rare. That is four years of primary education and then they go to the high school. The high school is split into 2 groups, one of three years and one of four. From there they go on to the university, so that after about eleven years, they start in the university and they will normally go through four years of college. They may do a little post graduate work but normally graduate work is done abroad. The Brazilian with a bachelor's degree from the university is addressed as

~~RESTRICTED~~

CPYRGHT

SECURITY INFORMATION

doctor because he is really fairly rare. There are only about forty thousand people in all of Brazil in the universities. In terms of content of the courses,—I am not too well informed on that. There is a certain amount of this learning by rule and the memory. There is a considerable emphasis upon the theoretical and the formal and the broad sort of thing and not getting down to the very specific and detailed and into the laboratories, getting their hands dirty, and hands burned by acid and that sort of thing, to actually carry out the experiment. You study the reactions, you put these two chemicals together and this is a reaction. Well, this is an exaggeration, you actually don't put the two together to see the reaction. The chemistry does a good deal of it, but there is a tendency to avoid that sort of thing.

Question: What is the military position of all of the South American countries in lining up with a Western Alliance?

Answer: I don't think I am qualified to answer that question. There are a great many things that go into over-all military potential. There are about as many people in all of Latin America as there are in the United States. There are certain advantages and certain requirements which they provide in terms of bases from which we could operate, in terms of warfare in certain areas, shipping lanes, certain strategic materials, which we get normally in considerable quantity from these areas and as I discussed, manganese. There are other materials which we could get in case of emergencies with which they could help us. But I have no idea how many people there are at present in the armed forces. In terms of modern warfare they depend very heavily upon the industrial world for the equipment for modern warfare. I was there in 1942 right after the Brazilians declared war and one of the things the Brazilians were concerned about was the typical American attitude. "Well Brazil is a tropical country, lets send her off to fight in Africa" and they didn't like that. They felt that Sao Paulo was a temperate area and they didn't want to be relegated the job of fighting in Africa. Well, actually of course, they went to Italy, and certainly it made a good deal of sense for them to fight there because of affinity of language and cultural ties with that area.

Question: Are there enough petroleum resources in Brazil to provide for that country?

Answer: There is one area where there is petroleum being exploited but they are still importing petroleum. There are supposedly considerable oil resources in Brazil and many of the major oil companies have crews exploring, but one of the problems as far as Brazil is concerned, is that this is a long ways away. Probably the oil would be pulled out by pipe line over the Andes loaded on tankers in the Pacific Ocean and carried around, rather than being brought down the Amazon. Another point of view is that as far as this international investment is concerned, petroleum is the most debatable part of it. There are many Brazilians who say that they would rather have the petroleum stay in the ground than be exploited by foreign capital or by foreign Brazilian capital which to many of them is even worse because they fear the Brazilian operating in combination with foreigners are much more difficult to deal with than a foreigner alone. There are others that say, "What good does it do us, if this petroleum is there twenty years, we need the petroleum now. Maybe twenty

~~RESTRICTED~~

CPYRGHT

years from now we won't be using petroleum. It may be a worthless resource, so lets get some capital in and some American technicians and get this out and help our exchange problem". It is very much of a debate and in terms of what Congress has done this emphasis is still somewhat more on the national side. Change of administration might shift the weight the other way.

Question: You did say that the Brazilians are friendly towards the United States both politically and the people themselves?

Answer: The average or in the aggregate, yes. There are conflicts, there are individuals who are very much against us. They have a respect and they have an admiration and, basically, they have a likening for the American that comes down and tries to do something with them, but also they have a fear of our power and our might in case we would want to use it against them, and there are individuals where that fear overpowers this other feeling.

Question: Before World War II, I think Great Britain started it and it was followed by the Soviets, they started a barter system in South America. Are there any indications of a recurrence of that? As I remember it, it cut our trade in Latin America just about in two, in a period of two years.

Answer: There were some very severe drops in our trade there. Brazil established a system of barter trade, two or three years ago, between 1949 and 1950 when conditions were on the negative side. It was a natural thing to do when earnings and wages began to decline. This is one of the things she turned to and she turned to it too, because other nations in Europe were resorting to barter trade and she was going to sell some of her coffee and some of her cotton and she had to sell most of her cotton to Europe so she had to conform in part at least to the way in which they were doing business. In 1951 they abolished that. There is still a few little deals that were cooked up in that period that are still going on. Basically today Brazil isn't doing it. There are some countries that have a certain amount of barter trade, exchange deals, coming out of this dollar shortage. Cuba and Brazil, two of the countries with which we have the most trade are essentially on an open trade basis, except that they may say, "you can bring in these essential products rather freely, but luxury products like the Cadillacs can't be brought in. We have to build those here in Brazil or not use them at all". They are interfering with trade in that way. They try to direct it towards the thing which the government believes is the most significant and the most important. If an American brings down one of those products that is very much being frowned upon by the government and wants to sell it after it has been there for a year or two years, he usually gets a pretty good price for it.

Question: What is their situation with regard to medical facilities?

Answer: They have quite a large number of doctors. They don't have as many as they would like. About two-thirds or three quarters of their doctors spend a part of their time in some socialized medical service directed towards providing minimum medical facilities for the laborers and such agricultural workers

~~RESTRICTED~~

CPYRGHT

SECURITY INFORMATION

that come into town where these services are available. Most of the doctors have had a certain amount of foreign training, internship or perhaps even four or five years of medical school abroad. Nevertheless there are very severe health problems. The average expectancy of life in Brazil is thirty-nine years. In some areas it is about 29, in the Sao Paulo and Rio area it gets up to about 50. That is an indication that there are still a good many health problems in the country.

Question: How is that rubber development going on down there? Have they stopped it or are they still working on it?

Answer: They are going on, but not rapidly. They have in 1952 produced as much rubber, more rubber than in any year since the collapse of the boom in 1912. It is a slow process.

~~RESTRICTED~~